Weekly Economic Review

Slight setback for weekly earnings

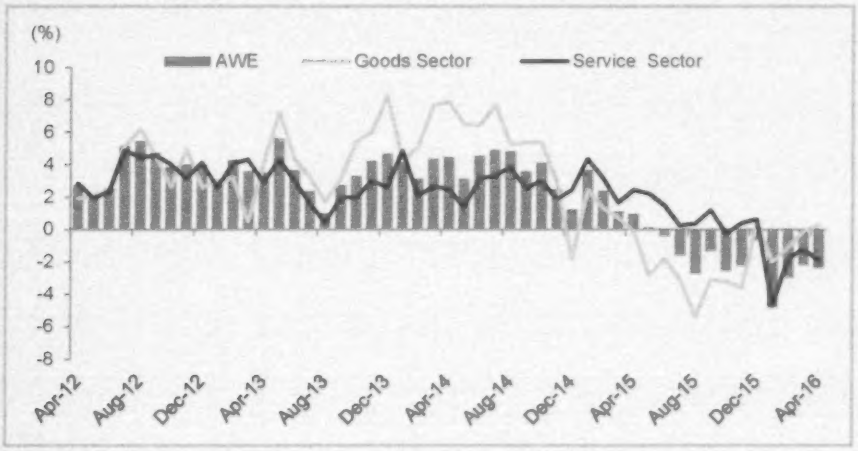
Average Weekly Earnings

Lower pay in the service sector leads to small dip in weekly earnings

Alberta's average weekly earnings (AWE) fell to $1,127 in April, down 0.2% from the previous month. Earnings fell 0.6% month-over-month (m/m) in the service sector and remain relatively weak, especially for professional, scientific and technical services, and transport and warehousing workers. In contrast, rising earnings in the hard hit mining and oil and gas extraction (+2.0% m/m) and construction (+5.8% m/m) sectors boosted goods sector earnings, which increased for a third month. After hitting a two and a half-year low in August 2015, weekly earnings have trended upwards and the past few months have seen a welcome reversal of the earlier erosion in earnings - primarily due to rising goods sector pay (Chart 1). However, despite marked improvement since the low-point last August, earnings remain down 3.1% year-to-date (YTD).

Chart 1: Rising pay in the goods sector has helped earnings

Year-over-year growth in Alberta average weekly earnings



Source: Statistics Canada

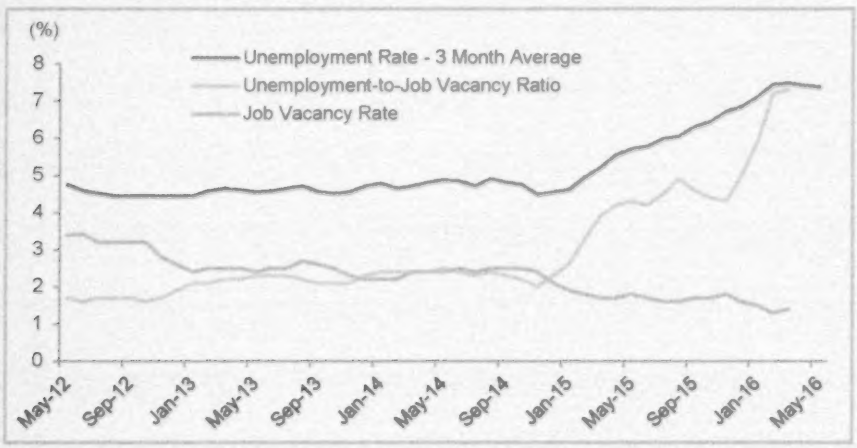
Job Vacancies

Welcomed uptick in vacancies

Alberta job vacancies increased to 26,800 in March, up 3.5% m/m, and halting three straight months of declining vacancies - which hit a record low in February. However, the earlier stretch of weakness left vacancies down 22% year-over-year (y/y). The job vacancy rate - the proportion of open positions that are unfilled - ticked up to 1.4%. Moreover, rising unemployment outpaced the increase in vacancies, pushing the unemployment-to-job-vacancies ratio up to 7.3 (Chart 2).

Chart 2: Persistent weakness in Alberta's labour market

Alberta labour market indicators



Source: Statistics Canada

Rigs Drilling

Rigs increasingly underutilized

The persistence of low oil prices continued to hamper drilling activity across Alberta. There were 41 active rigs operating in June, a historical low for the month. On a year-over-year basis, drilling activity was down 44% (Chart 3). Rig utilization also hit a record low for the month, with only 9% of available rigs in use compared with a historical average usage rate of 37% for June. Drilling remained weak across

Canada, down 47% y/y with only 10% of available rigs in use – a record low for utilization at the national level.

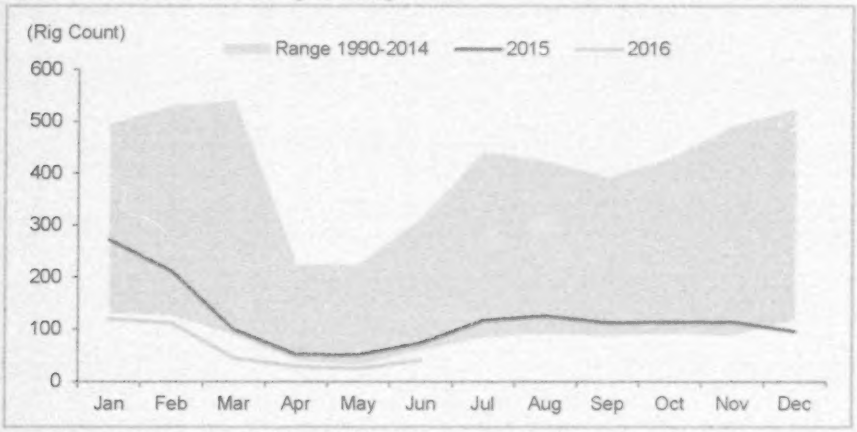
Metres Drilled

Drilling activity falls to six-year low

Low energy prices have also weighed on metres drilled across Alberta. A total of 225,260 metres were drilled in April, the lowest level in six years and down 28% on a y/y basis. The number of metres drilled for conventional oil hit a record low of less than 20,000 while the number of bitumen metres drilled was at its lowest since 2007. Natural gas drilling was at its lowest level since 2013. Amidst the weakness, the number of metres drilled per well reached a new record of 3,754 suggesting that newer technological innovations are leading to improved efficiency. Year-to-date, metres drilled were down 35%.

Chart 3: Rigs drilling trending at record low level

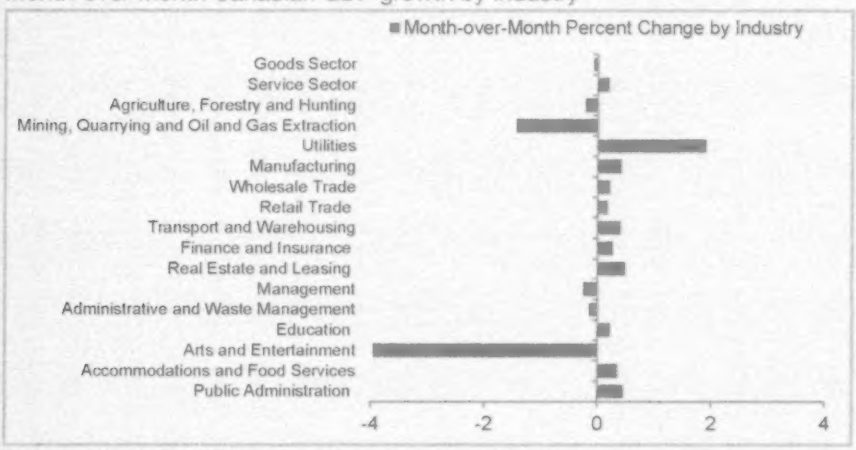
Number of Alberta active rigs drilling



Source: Canadian Association of Oilwell Drilling Contractors

Chart 4: Monthly economic growth driven by service sector activity

Month-over-month Canadian GDP growth by industry



Source: Statistics Canada

Canada GDP by Industry

GDP growth positive but moderate

Canadian real GDP ticked up 0.1% m/m in April after receding in March and February. The service sector led growth, up 0.2%, while goods production was essentially unchanged (Chart 4). Gains in real estate, transportation and warehousing services, and wholesale and retail trade helped drive growth. Goods production was suppressed by a third straight drop in non-conventional oil production, primarily due to an upgrader outage. Conversely, conventional oil and gas production ticked up. Increased manufacturing activity among petroleum refiners, utilities providers, chemicals producers and non-metallic mineral and primary metals manufacturers helped offset weakness in other goods producing industries.

UK Referendum

Financial fallout after Brexit vote

Global financial markets experienced sizable tremors following the United Kingdom's decision to exit the European Union. The British Pound plummeted to a 30 year low and London's FTSE stock index fell by roughly 5% after the referendum - though London stock prices have since bounced back. The contagion quickly spread to other major stock markets like the NYSE, the German DAX and Canada's TSX index. Oil prices and several currencies also took a hit; WTI fell by three dollars and the Loonie lost nearly two cents in the wake of the "Brexit" announcement, though both have since recovered some value as financial markets absorbed the initial "Brexit" shock.

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Please see the *Alberta Economy - Indicators at a Glance* for a snapshot of Alberta indicators.